



# HST & Home Buyers

## what you need to know

**N**ow that we've had time to get accustomed to the harmonized sales tax (HST) introduced on July 1st, 2010, many of us are still unclear how the tax affects our home purchases. Given that buying a home is likely the largest single expenditure most of us will ever make, it's important we understand the tax and its implications.

In Ontario, the HST is a combination of the GST (5%) and PST (8%) for a total of 13%. This tax now affects purchases that were previously exempt from PST, so the HST can take a bite out of our budget. Also, the government is not offering relief for purchases of big ticket items like houses and cars, etc. What they are doing instead is offering a sliding scale tax rebate for homes depending on the price point. Here is how the HST affects home purchases:

- The HST applies to newly constructed homes only and NOT to resale homes.
- New home buyers purchasing a house from a builder that is valued at \$450,000 or less, can claim a tax rebate on the GST & PST components of the purchase price for a maximum rebate of \$24,000. The maximum GST portion of the rebate is \$6,300 which maxes out at \$350,000. Homes over \$450,000, are eligible for a tax rebate on just the provincial or 8% portion of the HST.
- Real estate sales representatives now have to charge and remit HST on commissions earned on the sale or purchase of a home instead of only GST.
- Services associated with the purchase/sale of a home are subject to HST. This includes: home inspections as well as the majority of utilities (oil, gas, electricity), home renovations, upgrades, CMHC fees, (Canada Mortgage and Housing Corporate loan insurance) and legal fees. All of these now costing more under the new HST system.

On the bright side, the Ontario government estimates that 93% of home sales in the province are HST free because they are resale properties and not new homes. Additionally, 75% of newly constructed homes in Ontario fall under the \$450,000 threshold, so most new home owners are eligible for the maximum tax rebate. ■



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